

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
INTERNATIONAL MERCHANDISE RETURN SERVICE AGREEMENTS
WITH FOREIGN POSTAL OPERATORS
NON-PUBLISHED RATES

Docket No. MC2015-68
Docket No. CP2015-99

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2**
(July 28, 2015)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 2, issued on July 24, 2015. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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July 28, 2015

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1. In its Request, the Postal Service states that it “anticipates that it will renegotiate the rates provided in each agreement, if the rates fall outside the rate ranges in effect at the time.” Request at 5. Additionally, in the model agreement filed with this Request, Article 23 states that the contract will “remain in effect indefinitely.” *Id.*, attachment 5 at 6. Given the Postal Service’s intention to renegotiate rates as described above, and the indefinite nature of IMRS-FPO agreements, please confirm whether it is possible for such agreements to remain in effect with rates that do not cover their attributable costs during negotiations between the Postal Service and the Foreign Postal Operator. If confirmed, please explain why the Postal Service believes that such agreements would comply with 39 U.S.C. § 3633(a). If not confirmed, please identify what provisions of the model agreement, or explain what steps the Postal Service plans to take, to ensure that the rates in IMRS-FPO agreements cannot fall below the rate range most recently approved by the Commission.

RESPONSE:

Not confirmed. If the Postal Service is in negotiations with a foreign post regarding updated rates, but those negotiations are not finalized prior to the implementation of new rates that are required for cost coverage, the Postal Service can terminate the bilateral agreement or file a motion for temporary relief with the Commission to permit the current rates to continue pending an agreed-to modification of new rates by the parties.

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2. Article 19 of the model agreement states that:

“The amendment may be contingent upon any and all necessary approvals by USPS management, the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. If such approvals are required, the Amendment will not become effective until such time as all necessary approvals are obtained.”

Request, Attachment 5 at 5.

In contrast, the Postal Service's Request states that “[c]onsistent with regulatory requirements, the Postal Service plans to file any amendments or modifications to the agreements with the Commission as the amendments or modifications take place.” Request at 5 (emphasis added).

- a. Please confirm that all amendments to IMRS-FPO agreements will be filed with the Commission at least 15-days prior to their effective date, pursuant to 39 C.F.R. § 3015.5.
- b. If not confirmed, please give examples of the types of amendments that would, or would not, need to be filed with the Commission and explain the bases for these determinations.

RESPONSE:

- a. Not confirmed.
- b. Please see the Postal Services response to Chairman's Information Request No. 1, Question 2(b). The Postal Service anticipates filing updated rate ranges with the Commission after the Postal Service becomes aware of and has sufficient time to analyze the relevant costing inputs. The first updated rate ranges will likely be filed during Quarter 1 of Fiscal Year 2016, and then around the same time each year following. The Postal Service plans to file the updated rate ranges at least 15 days prior to the effective date of any rate changes, consistent with 39 C.F.R. § 3015.5. Because the Postal Service requested that the Commission treat agreements in this docket similarly to GEPS-NPR

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agreements (and the Postal Service does not intend to enter into modifications to agreements with rate implications outside the scope of the annual updated rate ranges), so long as the rate ranges are approved, no individual modifications would have to be filed with the Commission at least 15 days prior to the effective date of those modifications. Consistent with the GEPS-NPR practices, the Postal Service is requesting to file any new IMRS-FPO agreements or modifications within 10 days of the effective date of the agreement or modification. As further explained in the Postal Service's request, the Postal Service recognizes that it will file the IMRS-FPO agreements or modifications in this docket on or before the effective date of each agreement or modification, as required by 39 U.S.C. § 407(d).

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3. In Excel file "IMRS-FPO Model 7-7-15 Final", tab "01_Inputs", cells "B104 to B140," the Postal Service identifies 37 foreign postal operators in countries and territories with which it may enter into IMRS-FPO agreements. Additionally, in cells "C104 to C140," the Postal Service identifies percentage discounts off the IMRS-FPO rate formula that would apply to each of these countries or territories.
 - a. Please confirm that the countries and territories listed in the above referenced Excel worksheet are the only countries and territories with which the Postal Service intends to negotiate IMRS-FPO agreements at this time. If not confirmed, please explain how IMRS-FPO rates for other countries and territories are to be calculated.
 - b. Please confirm that the percentage discounts referenced in cells "C104 to C140" represent the maximum discounts that each country and territory would receive as part of an IMRS-FPO agreement.

RESPONSE:

- a. Confirmed.
- b. Confirmed.